MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors

FROM: Thomas M. Miller, County Executive Officer
By Graham Knaus, Finance and Budget Operations Manager

DATE: April 5, 2011

SUBJECT: FY 2011-12 Proposed Budget Direction

Action Requested
The Board is requested to take the following actions:

- Receive a report on FY 2011-12 Budget options and provide direction to staff on the development of the FY 2011-12 Proposed Budget including redirection of ongoing Capital Projects contribution in the amount of $1 million.

- Affirm the current policy direction for County activities such as hiring restrictions, use of extra help, and overtime practices.

- Direct County Executive Officer to develop salary savings recommendation for Management and Confidential employees to replace FY 2010-11 floating mandatory time off (2 furlough days). Doing so would ensure consistent FY 2011-12 salary savings for all employees.

- Approve the attached resolution delegating authority to direct layoffs under Chapter 3 of the Placer County Code to the County Executive Officer for FY11-12 and extending and providing further direction for Resolution 2010-127 regarding delegation of layoffs, effective upon adoption.

Summary Background
The Board has held a series of FY 2011-12 budget workshops since December 2010. The workshops have highlighted the local budget and operational challenges as a result of the prolonged recession. The challenges include sharply decreasing local revenues straining service levels and requiring reprioritization of limited resources as some county service needs have diminished while others have increased.

Due to early and continued Board action to manage the county budget within available resources, the FY 2011-12 local budget will be difficult but manageable. As reported at the February 22, 2011 Board meeting, the combined initial deficit was $7.5 million ($4.7 million General Fund and $2.8 million Public Safety Fund) and has been reduced to $2.8 million based on continuing existing labor adjustments and departments absorbing a number of cost increases and losses of one-time revenues. Resolving the deficit will not come without service impacts in a number of areas and may require further discussion about reprioritizing available resources as well as recognizing targeted areas that have experienced reduced workload.

The workshops have also focused on the substantial risks posed by the pending State Budget. Based on updated analysis of the current State Budget proposals, more than $30-60 million in direct county funding and increased responsibilities could be impacted by pending State actions.

There remains continued uncertainty regarding the State Budget and its potentially substantial impacts on the County's immediate and longer term budget and service levels.

Population and Service Demands

Placer County has been the fastest growing County in the State over the last decade in large part driven by the comparatively strong economy, spectacular and diverse landscape, and population exodus from more urban centers such as Sacramento, Southern California, and the Bay Area. Since 2000, the County population has grown 28 percent from 248,399 to 347,102 residents. Of the total 98,703 new residents over the past decade, 88 percent of the growth has occurred within existing city boundaries. The population growth has slowed; however, the increased service demands in county responsibility areas continue to pose challenges in light of decreased revenues and increased uncertainty.

Revenues and Expenditures

During periods of strong economic growth, accompanying revenue growth provides annual and multi-year flexibility to the Board to meet its priorities for the County. Unfortunately, revenue growth stagnated in FY 2007-08 as the economic downturn went into effect, followed by the most rapid decline in revenues since 1978. Per capita revenues have declined nine percent in the last three years and are now 10 percent below the per capita amount in 1978, as adjusted by inflation.

Due to the Board's proactive approach to the recession, per capita expenditures have decreased in an effort to transition to sustainable costs and service levels. However, property tax, the county's largest revenue source, is expected to decline further for the next two to three years creating continued budget and operations challenges. At the same time, the County faces ongoing cost drivers related to normal cost-of-doing-business increases (transportation, utilities, etc.) as well as health benefit premiums and salary increases due to merit as well as Measure F for Public Safety.

<u>Prior Board Actions</u>

County Financial Policies

The County Financial Policies were initially adopted in 2003 and have promoted financial stability and long-term planning during the current recession. These policies include the Budget and Financial Policy, Other Post Employment Benefit Policy, and Debt Management Policy and are discussed in greater detail in the report on these policies in today's agenda packet.

Labor Adjustments

In December 2007, in response to the initial economic downturn, the Board implemented a hiring freeze. The hiring freeze has led to 320 fewer filled positions than in 2007 due to attrition, decreasing from 2,542 to 2,222 in FY 2010-11. This has assisted in transitioning the county budget to a more sustainable level; however, it has not been sufficient to fully address the decline in revenues, particularly those unlikely to return for a number of years. As such, there have been other labor related adjustments to align ongoing service demands with available and sustainable revenues including the following:

- Minimal targeted layoffs in areas of reduced workload, primarily related to land development activities where permit activity has decreased 46 percent in the last few years.
- Mandatory Time Off (i.e. unpaid furlough days) for all management, confidential, and general unit employees totaling 21 unpaid days since FY 2008-09 except for limited 24-hour positions, primarily in public safety.
- Increased pension and health employee cost sharing implemented January 2011 results in significant labor related savings.

Cost Savings Task Force

The Cost Savings Task Force was established in FY 2008-09 to develop recommended changes to business practices that lead to ongoing savings. Savings proposals have been employee recommended and efforts have resulted in more than $1.1 million in ongoing savings. More than 100 savings proposals have been submitted, many of which have been put in place following Board actions in the Spring and Summer of 2010. Savings include restrictions on cell phone usage, purchasing of generic products when available, and restricting travel.

Alternative Service Delivery

At the February 23, 2010 Strategic Budget and Policy Briefing your Board authorized the County Executive Officer to return with concepts for long term structural changes to county service delivery. While reducing long term costs was a key consideration in the development of these concepts, several other factors were considered:

- Insuring cost effective and high quality services
- Valuing existing employees
- Maintaining flexibility in responding to service needs
- Insuring service delivery methods are sustainable
- Recognizing benefits of competition for service delivery

Since that time, several alternative service delivery models have been approved by the Board including implementing a parks and custodial contracting approach to address staff attrition within the Facilities Department, continuing to leverage internal expertise of engineering and surveying staff through inter-departmental contracts, transitioning the Auburn Dental Clinic to a more sustainable business model through the Chapa De Indian Health Center, implementing a new approach for Placer Commuter Express bus drivers, and transitioning to a vendor approach to two-way radio installation to address staff attrition.

Use of General Fund Reserves

General Fund reserves have historically been set-aside by the Board during times of relative economic stability. Reserves totaled $18 million prior to the recession. Consistent with the County Financial Policies, these reserves are intended to be used during periods of revenue fluctuation and fiscal and programmatic uncertainty. During the current economic downturn and in response to significant revenue decline and uncertainty across county service areas, $9.8 million in General Fund reserves have been used while $8.2 million remain.

February/March Budget Workshops: What Have We Learned?

Reduced workload – As a reflection of the economy, service areas that had been experiencing the greatest demands five years ago have been and continue to be faced with sharply declining revenues and workload. This has been most apparent in the land development areas and it has largely been resolved through attrition and targeted staffing reductions over the past three years. However, existing land development revenues are not sufficient to fund services at the current staffing level in all land development areas potentially putting up to seven staff at risk in several departments.

Redevelopment – The Governor's Budget proposes to eliminate redevelopment agencies, rake-off $1.7 billion in unencumbered local funds for one-year, and implement a new approach to economic development at the local level. Although there are a number of alternative proposals that would attempt to stave off elimination of redevelopment agencies, it is all but certain that they face substantial reductions in revenues next year.

Locally, redevelopment funds are dedicated to a number of capital projects totaling $11 million in FY 2010-11 and an additional $1 million for the Highway 49 improvement in FY 2011-12. In addition, redevelopment funds support 17 staff, most of which are fully dedicated to redevelopment activities. Under the Governor's proposal, there would likely be a phased-down approach that would occur in two steps. Funding for 14 of the redevelopment related staff would be eliminated upon implementation while remaining staff would be transitioned to more of a maintenance mode related to managing existing bonded debt for projects and resolving the complex logistics of transitioning to a new local economic development model.

Health and Human Services – The proposed Realignment of mandated Health and Human Services programs such as Child Welfare Services, Adult Protective Services, Mental Health, and Substance Abuse Treatment could significantly impact $22.2 million in funding and operations for State mandated services. In addition, two staff are at risk in HHS/Environmental Health due to lack of work issues related to land development as described above. Additional details are available from the March 8, 2011 Budget Workshop on Health and Human Services.

Library – The proposed elimination of all State support for libraries would reduce $86,000 in Library operations funding. In addition, dedicated library property tax funding has declined $400,000 in the last two years and is projected to decline an additional $87,000 in FY 2011-12. These impacts may require service reductions in the upcoming year. Additional details are available from the March 8, 2011 Budget Workshop on the Library.

Staff recommends monitoring the potential and implication of losing State funding as well as the operational adjustments that may be needed to ensure long term sustainability of Library operations given the decline in dedicated property tax and other revenues.

Public Safety – The proposed Realignment of Public Safety funding and services such as Low Level Offender responsibilities, Adult Parole, Juvenile Probation, and Court Security could require substantial changes to existing operations requiring changes to staffing and local service models. In total, the Public Safety realignment would create local service costs of $8.4-$39.2

million primarily depending upon how many “low-level” offenders would transfer from State to County responsibility. The wide range in cost is a function of whether or not the realignment would require the full operation of the existing jail in addition to the South Placer Jail currently under construction. Based on the current proposed funding, the County could face a funding gap of $4 million to $25.3 million upon full implementation. Additional details are available from the March 22, 2011 Budget Workshop on Public Safety.

Staff will continue to monitor the prospect and implications related to a service Realignment. In addition, due to the likely loss of $2.5 million in Vehicle License Fee revenue supporting Public Safety, consistent with the department submitted budget, staff recommends maintaining existing vacant funded positions within Public Safety.

Fire Protection – At the March 22, 2011 BOS meeting, staff framed certain fiscal challenges of North Auburn Ophir Fire (NAOF) and Dry Creek Fire due to loss of secure property tax in recent years. These two County Service Areas (CSAs) are faced with structural deficits that without changes to expenditures or revenues will deplete reserves within a few years.

These CSAs have some uniqueness as to potential corrective action, therefore, staff recommendations differ from one CSA to the other. For the NAOF CSA, staff recommends, beginning FY 2011-12, reducing the Atwood Road fire station (Station 180) service from a 4-person staffing level to 3-person staffing. This is expected to result in $220,000 operating cost savings from staffing reduction and will significantly reduce projected use of reserves for FY 2011-12. To address the revenue structure issues in NAOF, staff would proceed to engage an outside consultant services to conduct a study on the revenue structure for that CSA.

North Auburn Ophir Fire
Staff recommends reducing staffing from four to three persons for NAOF removing an engine company from the Placer County Fire system while increasing the longer term viability of the fire system. Additional impacts include the following: (1) Increased response time for simultaneous calls as resources are coming from more distant stations, (2) Increased amount of time required to bring adequate numbers of personnel, apparatus, water and equipment to more complex incidents due to the reduction of an engine company, (3) Eliminate the ability to cross-staff a water tender, truck company, and brush engine, (4) May increase the ISO rating which could increase the insurance costs paid by business owners and residents.

This approach partially addresses the structural problem NAOF faces by reducing expenditures, while taking action to analyze future revenue needs and equitable apportionments in the NAOF CSA.

Another option your board can consider is to allow service levels to remain at status quo, however necessitating the use of substantial reserves to balance the budget. In addition, staff would still proceed with the consultant services to conduct a study on the revenue structure.

Dry Creek Fire
Analyses identify the Dry Creek Fire CSA as viable for the next three fiscal years if reserves are used to balance the budget. While there is a structural imbalance due to property tax declines, the general funding structure is less of the fundamental problem. The staff recommendation is to balance the budget with reserves for FY 2011-12 with engagement of an outside consultant service to conduct a ten-year economic and fiscal forecast analysis to project future revenue

streams and inform decision making for future years. Service level reductions are not proposed for this CSA at this time. Anticipated impacts are reduced capacity to use of reserves to replace capital costs and fund reserves for contingency purposes.

Additional details are available from the March 22, 2011 Budget Workshop on Fire Protection.

Public Works – Reductions to Road Fund revenues have begun to strain ongoing operations. Staff are being redirected to dedicated revenue projects to preserve available General Fund support where needed. In addition, the approach to ongoing operations is being analyzed to transition to a more sustainable level. For those projects with State funding, proposals to defer payments will create FY 2011-12 cash flow challenges. Additional details are available from the March 22, 2011 Budget Workshop on the County Road Fund.

Community Development and Resource Agency (CDRA) – The land development has been the hardest hit county service area in the recession. Services are predominantly housed in CDRA with the Environmental Health component residing in the Health and Human Services Department. Permit activity related to engineering has dropped 46 percent since FY 2006-07. Attrition, reprioritized workload, and limited targeted layoffs over the last three years have been used to respond to the changing economic climate. Land development activity is expected to be relatively flat for FY 2011-12; however, there continues to be a gap between revenues and workload. Some of this gap has been addressed by redirecting staff from traditional land development activity to instead provide expertise to other departments, such as with mPower for the Treasurer-Tax Collector and Public Works. Even with the maximized use of county expertise, several staff remain potentially at risk in the upcoming year. This includes assumed revenue for mapping support from the Clerk-Recorder to fund a CDRA/Clerk-Recorder Memorandum of Understanding.

Additional details are available from the March 22, 2011 Budget Workshop on the Community Development and Resource Agency.

Williamson Act – The California Land Conservation Act of 1965, commonly referred to as the Williamson Act, enables local governments to enter into contracts with private landowners for the purpose of restricting specific parcels of land to agricultural or related open space use. In return, landowners receive reduced property tax assessments. Funding for the Williamson Act has been reduced dramatically by the State in the last few years nearly eliminating funding to the County. State funding is slated for complete elimination in FY 2011-12 and would result in a $13,428 loss to the County.

Other Challenges – In addition to the above challenges, there will likely be other direct and indirect impacts related to State action such as the potential for one or more unreimbursed Special elections. Staff will continue to monitor developments and inform the Board as the outcome of State deliberations becomes more certain.

Additional details on all of the above challenges can be found through the following link:

http://www.placer.ca.gov/bos/Agenda.aspx

FY 2011-12

As reported at the March 22, 2011 Board meeting, the FY 2011-12 budget framework includes a $2.8 million General Fund deficit while Public Safety is tentatively balanced. These amounts reflect the local budget absent State impacts so do not include the $30-60 million in potential impacts from the State.

The General Fund deficit is primarily the result of an additional projected five percent decline in Property Tax revenue, the County's largest fund source, the loss of one-time funding, and ongoing cost drivers such as health insurance premiums and increasing PERS costs due to lower investment returns. The amounts also reflect the assumption of no longer using General Fund reserves. Since FY 2008-09, General Fund reserves have been reduced from $18 million to $8.2 million as part of the Board's smoothing approach to weathering the storm.

Additional Budget Assumptions

The FY 2011-12 budget framework includes the following assumptions:

- Continue existing labor adjustments related to increased employee health care and retirement cost sharing.
- One-time adjustments related to decreased costs for Employee Group Insurance, retiree health and dental.
- Phased use of Internal Service Fund reserves to smooth cost increases over four years.
- Departments absorbing a number of cost increases, including an increased PERS retirement contribution due to lower investment returns, increased benefit costs, loss of one-time revenues, and salary costs due to merit increases.
- Assume not funding Department requests of $2 million in the General Fund and $3.6 million in the Public Safety Fund. The specific requests submitted by Departments and their current status are compiled in Attachment 1.

The General and Public Safety Fund conditions will be refined during the formal development of the FY 2011-12 Proposed Budget. Based on existing cost and revenue data, the currently estimated deficit could be reduced to $1 million by implementing several staff recommended solutions such as aligning the General Operating Contingency to match the County Financial Policies ($550,000), updating revenues from the County's FY 2011-12 final Cost Allocation Plan ($500,000), implementing management and confidential labor adjustments to replace one-time FY 2010-11 floating Mandatory Time Off to ensure parity among the labor groups ($300,000 General Fund, $186,000 Other Funds), and capturing criminal justice related contingencies not needed in FY 2010-11 ($800,000). These recommended solutions would not impact current operations.

Resource Options and Potential Solutions

To meet the budget and operational challenges, there are available resource options for Board consideration. These resources fall under the Board's appropriation authority, are a mix of one-time and ongoing options, and include the following:

- *General Fund Reserve* – Since FY 2008-09, $9.8 million in General Fund reserves have been utilized to smooth the impacts of the recession while service levels are transitioned to a more sustainable level. Total remaining General Fund reserves equal $8.2 million and are not currently proposed from utilization in the FY 2011-12 initial budget framework. In addition, internal department budgeted reserves have been set-aside to address fluctuations in Federal and/or State funding changes.

- *General Fund Support to Capital Projects* – Following the adoption of the Comprehensive Facility Master Plan in 1996, the Capital Facilities Financing Plan was first affirmed by the Board of Supervisors in 2006, and is periodically reviewed by your Board. The Capital Projects 10 Year Funding Requirements schedule reflects the proposed delivery of previously identified major projects and their anticipated funding needs.

  The capital projects contribution has been scaled back over the course of the recession, decreasing from $18.7 million in FY 2007-08 to $4.5 million in FY 2010-11. The FY 2011-12 initial budget framework continues the General Fund contribution to capital projects at $4.5 million. Of that amount, $1.2 million would be dedicated to the immediate tenant improvement costs at the Tahoe Professional Offices (Customs House), scheduled for County occupancy in February 2012. The remainder of the General Fund contribution would support the continued implementation of the Capital Facilities Financing Plan (CFFP). In addition, there are a number of projects that have been held but remain in the Capital Improvements Fund. The Board may wish to reevaluate the need and timing of those projects.

  Staff analysis suggests that $1 million could be redirected for FY 2011-12 with limited impact to projects currently under construction or planned in the near term.

- *Capital Infrastructure Funding* – $2.5 million General Fund set-aside to finance undesignated or unanticipated capital repairs or infrastructure projects.

- *South Placer Adult Detention Facility Financing* – The February 22, 2011 Board meeting included a request to analyze the impacts of financing the South Placer Adult Detention Facility (SPADF). Financing of the SPADF could provide $24 million or $48 million in resources for FY 2011-12 to fund annual expenditures of $2-4 million. Doing so would provide additional available resources in the short term while increasing long term costs of county operations. These funds could also be freed up for the above referenced Capital Facilities Financing Plan listed above. Additional details are included in the South Placer Jail Financing report in today's agenda packet.

- *Open Space* – $2.7 million existing balance of which an estimated $1 million could be reprioritized by the Board.

- *Trust Funds and Other Reserves* – There are a variety of Trust Fund and other Reserves in the county. These funds are typically revenues for dedicated purposes; however, some of the funding is under the Board's discretionary budget authority to appropriate to broader county priorities. Trust Funds and Reserves exist across county service areas with some funds being restricted while others are more general in nature. In total, the combined FY 2010-11 balance of Trust and Reserve Funds is $138.6 million. Of that amount, approximately $90-100 million falls under the Board's appropriation authority. The remaining funds are currently dedicated for specific projects or purposes or function as prudent reserves for Other Operating or Enterprise funds. Those with the largest balances under the Board's appropriation authority are below:

- *General Fund Capital Projects Trust* – To fund the Capital Facilities Financing Plan (CFFP), funds have historically been set-aside annually through the General Fund contribution to Capital Projects. This funding is used over time to fund necessary infrastructure needs throughout the County and the amounts fluctuate depending upon the timing of project costs. As of March 2011, the fund has a $66.3 million balance, all of which is dedicated to fund projects as prioritized in the CFFP by prior Board actions. The largest projects include the South Placer Adult Detention Facility, Auburn Animal Shelter, Burton Creek Justice Center, Tahoe Professional Offices (Customs House), DeWitt campus demolitions. These funds remain under the Board's appropriation authority and could be reprioritized by the Board.

- *Internal Service Fund Reserves* – Internal Service Funds reserves are maintained to manage unpredictability and avoid significant spikes in charges in targeted areas such as General Liability, Workers' Compensation, Countywide Systems Funds, and Fleet. Since FY 2008-09, $8.5 million of these reserves have been used as part of a 4-year plan to smooth costs to county departments to facilitate greater focus on providing core services. At this time, $15.5 million in these reserves remain.

- *Clerk-Recorder Trust Funds* – $5.8 million in automation related trust fund balances of which $1 million is already assumed in the FY 2011-12 budget as requested by the Department. The Board has limited appropriation authority related to these funds as they must be used for automation related expenditures such as one-time and ongoing direct automation costs. They may also be used for broader costs, as determined by the Board, that support the Clerk-Recorder automation system.

- *Criminal Justice Temporary Construction* – $4.5 million current balance of which $1.5 million is available following the transfer of funds for the South Placer Adult Detention Facility ($2.4 million) and to fund debt service on the South Placer Justice Center ($556,000).

- *Re-licensing Trust* – $1 million set-aside for Middle Fork Project re-licensing. These funds remain under the Board's appropriation authority and could be reprioritized by the Board.

- *Other Resource Options Discussed by the Board*

  - *Manager Merit Increase Suspension* – As part of the FY 2010-11 Budget, the Board suspended merit increases for managers for FY 2010-11 savings of $143,300. Suspending the manager merit increases for an additional year would generate FY 2011-12 savings of $99,400.

  - *County Salary Cap* – The March 22, 2011 Board meeting included a request to model the potential impact of capping salaries at $175,000. There are currently 25 employees above that amount and instituting a cap could result in gross general fund savings of $500,000. However, some of the impacted positions are mandated contract physicians or psychiatrists, the cap could result in higher contracting costs due to the difficulty of locating qualified candidates to fill these positions due to the comparably low salaries relative to the regional public and private market.

  - *Revenue Sharing* – Supervisorial Districts are allotted $20,000 in revenue sharing funds each fiscal year for an annual appropriation of $100,000. The revenue sharing system enables the County to provide these limited contributions to private non-profit organizations while containing the administrative costs of the program. Should the Board wish to modify or suspend the revenue sharing program for FY 2011-12, it would result in savings of up to $100,000.

  - *Contributions to Other Agencies* – The County provides contributions to a variety of agencies, operating, proprietary funds, and to contractors for professional services that meet county priorities. These total $5.8 million and include contributions to the County Library, General Liability Insurance, Federal and State legislative advocacy, re-licensing support for Placer County Water Agency and Middle Fork, Sierra-Sacramento Valley Emergency Medical Services, Tahoe Regional Planning Agency, Placer County Arts Council, and a number of other statewide and regional associations.

Analysis and Recommendations

Challenge	Impacts	Recommendation
Local Only	1. $1 million GF shortfall 2. 7 at-risk staff due to potential lack of work	1. Redirect $1 million Capital Projects funding for one year. 2. Restrict expenditures to the extent possible within existing county service levels. 3. Set-aside any unanticipated FY 2010-11 fund balance and Trust Funds to bridge to State impacts. 4. Delegated layoff authority to provide constructive notice to at-risk staff.
State Budget with Realignment	1. $1 million minimum GF shortfall with $4-25 million unfunded realignment costs 2. 26 at-risk staff due to lack of work or funding in addition to local impacts.	1. Redirect $1 million Capital Projects funding for one year. 2. Restrict expenditures to the extent possible within existing county service levels. 3. Set-aside any unanticipated FY 2010-11 fund balance to bridge State impacts to the extent feasible. Set-aside other funds as directed by the Board. 4. Delegated layoff authority to provide constructive notice to at-risk staff.
State Budget – All cuts	1. Unknown but substantial GF and Public Safety shortfall 2. Unknown but substantial at-risk staff 3. Unprecedented potential service disruptions for part or all of FY 2011-12	1. Redirect $1 million Capital Projects funding for one year. 2. Restrict expenditures to the extent possible within existing county service levels. 3. Set-aside any unanticipated FY 2010-11 fund balance to bridge State impacts to the extent feasible. Set-aside other funds as directed by the Board. 4. Delegated layoff authority to provide constructive notice to at-risk staff.

Future Year Expectations

The National, State, and Local economies are in the midst of the longest economic recession since the Great Depression. Some positive economic data has emerged that suggests components of the economy have flattened out and may begin to increase, albeit at a sluggish pace. The real estate market, however, has not hit bottom in California nor in the greater Sacramento region. Foreclosures continue at historically high levels depressing values and that trend will likely continue to some degree through the next one to two years. In addition, the State Budget continues to loom over the County and impacts from FY 2011-12 and future budgets will further limit the ability to meet countywide responsibilities within available resources.

The development of the Placer County Budget typically includes a two-year and five-year outlook as part of the County long-term financial model. The model would include projections related to all revenues, cost drivers, staffing and service demands, and infrastructure and other needs. Large one-time or limited term revenues or costs would be pulled out as appropriate and projected changes to Federal and State funding would be incorporated. The long-term model would then be presented to the Board to facilitate financial and operational planning across County service areas.

Due to the substantial uncertainty from the State at this time, staff recommends returning at the August Budget Workshops with an updated long-term financial model assuming there is sufficient clarity from the State.

Summary and Conclusion

The County faces significant challenges for the upcoming fiscal year. Locally, revenues continue to decline and service demands are increasing in some areas while others struggle with reduced workload. In addition, the potential State Budget impacts cast a long shadow on the County's ability to control its own fate in terms of revenue reductions, increased county service responsibilities that may be unfunded, and, in total, $30-60 million in risk spanning a number of County program areas.

Locally, up to 7 staff are at risk due to potential lack of work. To address this challenge, there are generally three courses of action: reducing expenditures through targeted layoffs, using 1-time resources as a stop-gap measure, or using new or ongoing resources. During good economic times, resources are built up to mitigate temporary challenges. Some of these resources have been used over the past three years to avoid disruptive swings in service and staffing levels. However, the sustained nature of the economic downturn is anticipated to continue for a couple more years and continued use of 1-time solutions may further strain the budget in out years.

As such, staff recommends aligning the service levels and revenues where possible to foster continued sustainability of County operations during further projected revenue declines in the next couple of years. In doing so, staff recommends delegated layoff authority to the County Executive Officer to ensure a flexible and timely approach, and to provide the maximum notice to impacted staff during this time of instability. This would include providing early notice to staff at-risk due to pending State actions.

Staff also recommends the following:

- Redirect $1 million of the ongoing Capital Projects funding for one year to balance the estimated remaining General Fund deficit.
- Affirm the current policy direction for County activities such as hiring restrictions, use of extra help, and overtime practices.
- Direct County Executive Officer to develop salary savings recommendation for Management and Confidential employees to replace

FY 2010-11 floating mandatory time off (2 furlough days). Doing so would ensure consistent FY 2011-12 salary savings for all employees.

- Approve the attached resolution delegating authority to direct layoffs under Chapter 3 of the Placer County Code to the County Executive Officer for FY11-12 and extending and providing further direction for Resolution 2010-127 regarding delegation of layoffs, effective upon adoption.

- Reducing staffing from four to three persons for North Auburn Ophir Fire removing an engine company from the Placer County Fire system while increasing the longer term viability of the fire system.

- Balance the Dry Creek Fire budget with reserves for FY 2011-12 with engagement of an outside consultant service to conduct a ten-year economic and fiscal forecast analysis to project future revenue streams and inform decision making for future years.

- Continued monitoring of potentially impacted County service areas and report back to the Board as appropriate during the FY 2011-12 Proposed Budget discussion.

- Set-aside any unanticipated FY 2010-11 fund balance to bridge State impacts to the extent feasible. Set-aside other funds as directed by the Board.

- Returning at the August Budget Workshops with an updated long-term financial model assuming there is sufficient clarity from the State.

General Fund Reconciliation

FY 2011-12 Budget Development	FY 2011-12 Budget	Adjustments	Fiscal Impact
February Department Budget Submittals	$2.8 million shortfall	1. Flat Net County Cost for Departments 2. Departments absorb cost increases and revenue losses 3. Assume not funding $2 million in Department requests 4. Continue existing labor adjustments	
Initial Recommended Solutions	$1 million shortfall	1. Align General Operating Contingency to financial policies 2. Assume management and confidential labor adjustments to replace current year MTO days 3. Update revenues per final Cost Allocation Plan 4. Criminal Justice contingencies not needed in FY 2010-11	$550,000 $300,000 $500,000 $800,000 $1.8 million solutions
Staff recommendation on Proposed Budget development	***Balanced Budget***	**1. Reduce Capital Projects funding from $4.5 million to $3.5 million for one year.** **2. Maintain $8.2 million General Fund reserves** **3. Restrict expenditures to the extent possible within existing County service levels** **4. Set-aside any unanticipated FY 2010-11 fund balance to bridge to State impacts** **5. Delegated layoff authority to provide constructive notice to at-risk staff**	**$1,000,000** **Balanced Budget** **$8.2 million available General Fund Reserves**

*assumes implementation of all staff recommendations in the above report.

Attachments:
Attachment 1: FY 2011-12 Department Requests
Attachment 2: Resolution to delegate layoff authority for FY 2011-12

Before the Board of Supervisors
County of Placer, State of California

In the matter of: A resolution delegating authority to direct layoffs under Chapter 3 of the Placer County Code to the County Executive Officer for fiscal year 2011-12 and extending and providing further direction for Resolution 2010-127.

Resolution No.: ___________

The following Resolution was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held April 5, 2011**,** by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

____
Chairman, Board of Supervisors

Attest:
Clerk of said Board

____
Ann Holman

Whereas, Placer County Code section 3.08.1090 provides that layoffs shall be made solely under the direction of the Board of Supervisors, and that under the Board's direction an appointing authority may lay off employees for necessity based on lack of funds or work;

Whereas, the County is currently experiencing significant revenue slowdown coupled with cost increases for countywide services;

Whereas, the national economic downturn, particularly in the housing sector, has created a decrease in demand of some County services, particularly in the land development area, and has thus caused a related decrease in workload in certain program areas;

Whereas, County's General and Public Safety Funds anticipate deficits in fiscal year 2011-12 and, in addition, is expected to experience funding reductions in state and other revenues which will create additional program and service impacts;

Whereas, in anticipation for the 2011-12 fiscal year, staff has already implemented a number of spending reduction measures;

Whereas, layoff of county employees in certain program areas has become necessary due to lack funds and/or lack of work;

Whereas, staff is exploring options to redirect funding to critical services or priority programs that are currently allocated to other program service areas within the County's adopted fiscal year 2010-11 Final Budget;

Whereas, this redirection of funding to critical services may result in identified program service cuts in the other service areas, which in turn could result in a lack funding or work in those service areas; and

Whereas, the County Executive Officer is seeking delegated authority in instituting layoffs in order to respond flexibly and efficiently to the changing economic and budget conditions; to respond to the Board's desire to augment funding to certain critical services; and to reduce staff in service program areas where significant workload reductions have occurred;

Therefore Be It Resolved, By The Board Of Supervisors Of The County Of Placer, State Of California, As Follows:

That this Resolution extends and provides further direction for Resolution No. 2010-127.

The Board finds that layoffs of county employees are necessary due to lack of funds and/or lack work in certain program areas.

The Board directs the County Executive Officer to proceed with layoffs of county employees in program areas that are experiencing a lack of work and/or lack of funds, and to so proceed as provided for in Chapter 3 of the Placer County Code and applicable law, including state labor laws.

The Board delegates to the County Executive Officer the authority under section 3.08.1090 to determine the timing, department, classes and number of employees who will be subject to layoff.

The County Executive Officer's layoff determinations will be informed by the directions of the Board in the adopted Placer County fiscal year 2011-12 Proposed Budget as will be presented in June 2011, during Board Budget Workshops in August 2011, through adoption of a Final Budget in September and by further actions taken by the Board.

In making any layoff determinations the County Executive Officer will coordinate with the department heads of any affected departments, and will obtain the cooperation of the elected officers who head any affected departments.

This finding and delegation of authority will be effective from date of adoption through fiscal year 2011-12, or until revoked or modified by further action of the Board of Supervisors.